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June 1984

MART® 84

Business Ideas Today's Retailer Needs to Know

A Gordon Publication

Are You Paying Your Sales Staff Too Much?

Home Computing Retailer
Watch Out for Apples and Lemons

RETAILING 84

- Making Your Store a Community Resource
- How 'The Good Life' Provides Just That

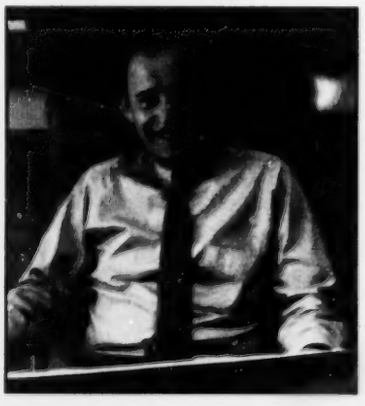
ELECTRONICS 84

- CES Special: What's New, What's Hot in Chicago
- Cordless Confusion Reflected at Retail

APPLIANCES 84

- Gas, Electric Ranges Cooking on Front Burner
- Will Appliance Sales Break Records This Year? Could Be...

Spotlight:
Macy's New York's Hank Greenberg



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Beware of Apples and Lemons

Cover photograph by Rick Barrick

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RETAILING 84

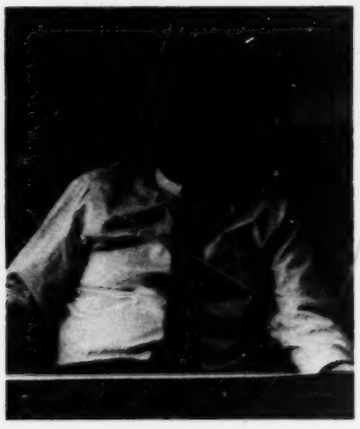
Spotlight

Macy's NY's Hank Greenberg

Keeping on top of the 'growth' areas is key to Macy's success

"What Macy's has done very successfully is to identify the growth businesses early on," replied Hank Greenberg, senior vice president of Macy's New York, when asked how consumer-electronics sales have been developing at the store.

Concurring were Steve Considine, merchandise manager-audio electronics and microcomputers, and Joe Pennachio, merchandise manager-video, cameras, and floor coverings, who



Senior VP Greenberg attributes the success of the Computer Store to its major brands.

were also present in Greenberg's large, bright office on the ninth floor of the flagship store during MART's interview.

"Macy's New York has been evolving programs in the electronics business for over 25 years. This is probably the most exciting area of merchandising today because of the constantly new technological developments, which make it such a rapidly changing market," Greenberg added.

The most recent addition to the department is the Computer Store, now marking its 17-month anniversary. According to Greenberg, Macy's New York was the first department store in the city to offer a full microcomputer selection . . . as of late April, it was still the *only* one.

The Macy's executive spoke with authority and enthusiasm. In the 27 years he has been with the store, he has worked in almost every hardgoods area.

Whether selling computers or any other item, Greenberg believes it is necessary to carry the major brands

[Continued on page 14]

Are You Paying Your Staff Too Much?

What's the going salary rate for a retail salesperson these days? Or a store manager? Or a service technician? And what can you expect to earn when you rise to be president?

To find out what the income levels are at retail these days—and to give store owners and executives a change to match their operations' salary levels with the current scale around the country, MART surveyed the top management of 1,000 stores, then broke out their answers by type of store and annual volume level.

If you're a store owner with the nagging feeling you're paying your employees more than the going rate, here's your chance to find out. And if you're a salesperson or manager who feels you're being underpaid, this could be the evidence you need to negotiate for a raise.

We also look at trends in commissions, benefits such as insurance, and vacation standards . . . and take a look at the kinds of raises retail salespeople can expect to receive this year.

Our survey begins on page 10.□

Brick Church Charts 50-Percent Gains

Effective sales training, merchandising, and advertising are key to this operation

The sign in the entranceway to the Orange, NJ, store of Brick Church TV & Appliance reads: "We used to sell these. Look at the improvement and greater value we offer now!" An anachronistic icebox, old-fashioned range, and oven sit in the corner.

But the three-generation Brick Church operation offers much more than just rows and rows of modern appliances and electronics. It prides itself on 51 years of know-how and professionalism.

"We offer a competitive price, knowledgeable salespeople, and a 50-year-old reputation," declared Chuck Lubetkin, president. The profitability of the company is exemplified by its gains in brown and white goods, in such categories as video cassette recorders, color TV, audio, microwave ovens, and laundry, which in many cases exceed industry gains.

VCR, for example, especially in the VHS format, is growing at Brick Church at a rate in excess of 50 percent. VHS units that are cable-ready, with wireless remote control, priced between $449 and $529, are particularly popular.

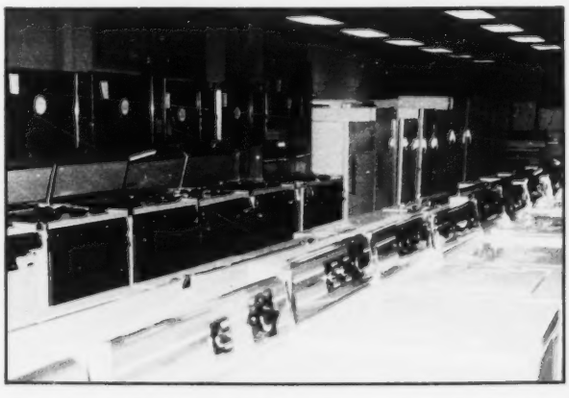
Even though Lubetkin admits to being a "late starter" in the category, he noted that "VCR is growing at a great rate, because we have become knowledgeable over the years about how to do business, and we are professional in our business approach."

Defining that approach, Steven Weintraub, executive vice president, explained, "We're involved with training our salespeople, merchandising effectively, and advertising effectively.

"We also offer a big selection and big displays that are appetizing. For instance, a gray decor prevails in our stores, highlighted with red, black, and silver. And brown-goods areas are carpeted and have dramatic, subdued lighting to create the proper atmosphere to sell audio and demonstrate TV, compared to white goods, which are brightly lit. We use a showroom approach rather than a warehouse approach."

In fact, the chain's two newest outlets, in Tinton Falls and Edison, NJ, boast 15,000 sq. ft. of selling space, and are appropriately named Super Stores. The audio department in each Super Store, for example, takes up 3,000 sq. ft. alone, with components, systems, portables, and radios displayed in a long stream, bespeaking volume.

"We realized that in order to go into the audio business, we needed to utilize floor space effectively to merchandise it, without making another area suffer," Weintraub pointed out.



White goods account for 40 percent of the chain's sales volume, buoyed by replacement demand.

Only 1½ years ago, audio was a new entry for Brick Church. Although audio on an industrywide basis had been soft, it is now quickly capturing about 15 percent of the company's business, and has enhanced the other consumer-electronics categories' business as well.

"We elected to go into the audio business because we had established a

[Continued on page 22]

Are You Paying Your Sales Staff Too Much . . . Or Too Little?

MART's exclusive survey traces retail salary patterns; see how your store compares

What's the going rate for floor salespeople in today's appliance/TV stores? How much can a service technician make in a high-volume consumer-electronics chain? What can you expect to earn if you own your own specialty store?

To find out, MART surveyed more than 1,000 owners, presidents, and managers of retail stores in a variety of categories: appliance/TV store, consumer-electronics store, specialty store (including telephone, video, and hi-fi specialty operations), department store, and mass merchandiser. We promised them anonymity if they would level with us on current salary patterns in their operations, rates of commission and/or bonuses, benefits such as vacation and insurance, and what they expect to give employees in the way of raises this year.

What our survey discovered could be taken as good news or bad news, depending on whether you sign the pay checks or cash them, and how your store's salary levels stack up against our sample. Are you paying your sales staff too much . . . or too little?

Salary rates for most stores selling consumer-electronics products and major appliances — whether they are specialty operations or carry a broad cross-section of products — generally rise as the store's sales volume rises, with some exceptions. But don't expect those salary levels to rise too sharply this year — among the retail owners and managers MART contacted, 41 percent do not plan to give their employees any salary increase this year.

Of those who do plan to give raises, the average amount will be only 6.1 percent of the employee's current salary.

Where's the money in retailing today? If you're starting out as a floor salesperson, your best bet would appear to be joining a specialty operation with a sales volume over $5 million — the highest average salary ($26,000) reported for that job was in high-volume specialty stores. The second-highest average salary level for floor-sales personnel ($25,200) was reported by owners and managers of appliance/TV stores that did from $2.5 to $5 million in sales annually.

In larger-volume stores, the next step up from selling on the floor is to become a buyer or merchandise manager (those job titles generally do not exist in low-volume appliance and electronics outlets). A buyer for a high-volume (over-$5 million) appliance/TV operation can expect to earn $35,000 on the average; in a consumer-electronics store, that salary level goes up slightly. A merchandise manager in an over-$5-million appliance or electronics outlet generally earns in the $40,000-to-$48,000 range, according to MART's survey.

But maybe service, rather than sales, should be the choice of someone launching a career. For most of the stores MART surveyed, service technicians earn as much as (in the higher-volume outlets) or more than (in most lower-volume stores) the men and women on the selling floor. Only in the highest-volume operations we contacted were salespeople earning significantly more than service technicians.

Of course, many salespeople are paid bonuses and/or commissions in addition to their base salaries . . . but, according to our survey, not as many as might be expected. Only 36 percent of the management personnel MART contacted said their stores pay commission on goods sold, and only 39.2 percent offer performance bonuses.

Don't expect salary levels to rise too sharply this year — 41 percent of these retail owners and managers do not plan any salary increases.

Specialty stores offered the highest commission rates; of those that do pay commissions, the average percentage of sales was 9.3 percent. Consumer-electronics stores that pay commissions have an average rate of 6.2 percent, while appliance/TV stores generally pay an average of 6.1-percent commission, according to MART's survey. Most department stores and mass merchandisers responding to our survey do not pay their sales staffs commissions; when they do, the average is 4.2 percent for department stores and 3 percent for mass merchants.

Most service technicians, on the other hand, do not work on commission: only 12.5 percent of the stores MART contacted said they pay commissions on service work.

A salesperson rising through the ranks to become store manager can expect to earn sharply more in a specialty operation (in some cases double the average salesperson's salary), while in a consumer-electronics or appliance/

[Continued on page 12]

CONSUMER-ELECTRONICS STORES
Average Salary Paid by Sales Volume

Title	Under $500,000	$500,000 to $1 mil.	$1 mil. to $2.5 mil.	$2.5 mil. to $5 mil.	Over $5 mil.
President/ Owner	$26,500	$30,000	$46,667	$78,333	$83,333
Store Manager	$21,166	$19,510	$18,000	$24,851	$29,975
Floor Salesperson	$14,150	$11,160	$14,125	$22,833	$22,060
Service Technician	$16,743	$14,430	$14,250	$26,000	$18,267
Merchandise Manager	—	—	—	$39,000	$40,000
Buyer	—	—	—	$50,000	$36,666

Source: MART research

APPLIANCE/TV STORES
Average Salary Paid by Sales Volume

Title	Under $500,000	$500,000 to $1 mil.	$1 mil. to $2.5 mil.	$2.5 mil. to $5 mil.	Over $5 mil.
President/ Owner	$19,999	$36,375	$36,400	$43,500	$71,400
Store Manager	$12,867	$18,829	$20,285	$27,000	$29,000
Floor Salesperson	$ 8,247	$17,958	$16,186	$25,200	$22,000
Service Technician	$12,611	$15,216	$16,325	$18,500	$18,175
Merchandise Manager	—	—	—	—	$48,000
Buyer	—	—	—	—	$35,000

Source: MART research

SPECIALTY STORES (TELEPHONE, VIDEO, HI-FI)
Average Salary Paid by Sales Volume

Title	Under $500,000	$500,000 to $1 mil.	$1 mil. to $2.5 mil.	$2.5 mil. to $5 mil.	Over $5 mil.
President/ Owner	$32,500	$36,575	$43,000	$68,544	$80,200
Store Manager	$28,100	$22,000	$25,245	$28,070	$28,990
Floor Salesperson	$10,800	$11,833	$13,700	$21,000	$26,000
Service Technician	$15,700	$12,900	$15,500	$22,100	$24,900

Source: MART research

Are You Paying Your Sales Staff Too Much . . .?

[Continued from page 10]
TV store the difference generally ranges from 25 to 50 percent. And, according to our survey respondents, store managers are more likely to receive bonuses and/or commissions based on the store's total sales, or other perks such as additional vacation time.

The salaries of the president/owners who responded to our survey may be deceptively low. Especially in the cases of those who own their own stores, salary may be only a small part of top management's compensation package, depending on how the corporation is structured. In general, however, salary levels at the top appear to be highest for presidents and/or owners of consumer-electronics operations, lowest for the heads of appliance/TV stores.

When it comes to benefits such as insurance and vacation time, not much variation turns up among the various types and sizes of stores. Of our total retail sample, 64.2 percent offer all employees some form of health insurance, while 54.5 percent provide life-insurance coverage.

As for vacation policies, the most common are two weeks paid vacation after two years' employment (offered by 65.3 percent of our retail respondents), two weeks after five years, by 58.8 percent (although another 25 percent of these stores offer three weeks vacation after five years), and three weeks after 10 years (by 42.2 percent, although another 31.3 percent still give only two weeks vacation after 10 years).

Profit-sharing has not made many inroads into retailing, according to MART's survey. Only 24.6 percent of these stores offer any type of profit-sharing program, although those that do generally make the programs available to all employees regardless of salary level (although usually on a graduated percentage basis depending on job title).

And how much can retail employees expect to be making at this time next year? Those with the worst prospects appear to be those who work in small (under-$500,000 volume) consumer-electronics operations, in which only 30 percent of store management said they plan to give any raises at all. The average raise among all the consumer-electronics stores MART surveyed will be 6.2 percent (for the 56 percent of those stores that will give raises at all).

Salary may be only a small part of top management's total compensation package.

Among appliance/TV stores, the average raise planned — by the 69.4 percent of the respondents in that category who plan to give raises — is 5.9 percent. And 67.8 percent of the specialty-store management MART contacted said they plan to give employees an average increase of 7.4 percent this year.

Department-store employees can expect an average increase of 4.2 percent this year (but 75 percent of the department stores responding to the survey *will* be giving raises), while 70 percent of these mass merchandisers expect to give raises averaging 5.3 percent of current salaries.

What does all this mean? While the number of retail executives responding to MART's survey was too small to be projectable to the retailing community as a whole, the survey does offer some insights into which types of stores are paying the most (or the least), and what types of fringe benefits are generally available in the appliance/electronics retail industry.

The results could be used as ammunition by employees lobbying to increase their take-home pay . . . or as a defense by store management trying to keep overhead down. How does your store stack up?. . .□

CATHY CICCOLELLA

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HOME COMPUTING RETAILER

Recreation Software Fights Back to Stimulate Market Growth

Sophisticated effects, graphics help add pizzazz to the flat game market

Recreation software, once the darling of the home-computing market, has experienced some dramatic changes. Once it was a business chock-a-block with arcade hits that scored dramatic sales numbers for a fleeting period, then dropped from sight. Now it has evolved into a business of sophisticated programs that keep selling long after the initial-introduction hoopla dies down.

A look at Softsel's weekly hot list of the 30 top-selling recreational titles, for example, shows that more than half of the titles have enjoyed best-selling status for more than 40 weeks. Of course, the list continues to contain several offshoots of hit arcade games, but several of the hits, such as Sublogic's "Flight Simulator" series, employ state-of-the-art sound effects and graphics and a variation of experience, designed to appeal to a growing number of home-computing sophisticates.

"People want more sophisticated games," explained Jim Moss, who evaluates software for the Game Preserve, in Indianapolis, IN. "They want to know they're buying something that's going to keep them entertained for a long time. They're looking for something that's going to keep their playing cost down below a dollar an hour. People are seeing more programs that fit that description, and that's making recreation software an old-favorites business, as well as hurting the arcades."

'We're designing with fantastic animation, plus more color and sound; we know 3-D images are the wave of the future.'

The vast majority of recreational software Moss sells at the Game Preserve is for home computers. He no longer stocks titles for dedicated game consoles, because of the rapid drop in demand for that format in his market. Game sales have dropped dramatically from 1982, when more than 8 million units were sold. This year it's estimated that 5 million units will leave retailer's shelves.

"Sales figures showed that video consoles outsold computers by a three-to-two margin for all of 1983," said Dave Ruckert, executive vice president of the Atari Products Co. "The latest Gallup poll indicates the sale of video consoles for 1984 will be as high as or slightly higher than in 1983. Gallup estimates that between 4 and 8.8 million video-game consoles are likely to be sold, and hardware sales translate into software sales."

"Game consoles are still a viable entity," agreed Robert Katz, vice president/marketing sales of Home Computer Software. "But the makers of the software for them have to realize that prices must come down. The consumers today who are buying dedicated game consoles for $50 to $100 don't have the same kind of disposable income as someone who buys a PC has to spend on cartridges or discs."

The makers of dedicated game consoles are keeping relatively low profiles these days, but all say they are committed to the business. However, all the major manufacturers have made moves in the last year that are clear admissions to the reality of the shift in the recreation arena from the game console to the home computer. The expansion module to transform ColecoVision into The Adam, the formation of Atarisoft, and a spate of hardware rebate programs all reflect the shift towards the home computer.

Still, recreation software for home computers has hardly been a bonanza for retailers. But that's not to say there hasn't been any entertainment business, and that there's not room for growth. A recent survey by Link Resources, for example, show that more than 60 percent of the consumers surveyed intend to use their home computers to play games.

"The recreation market has been flat for the last year. If you look at the percentage it represents of our business, the drop in three years — from about 90 percent to 10 percent — is dramatic," Dave Blumstein, vice president of sales of Softsel, told *HCR*. "But that's not the real story. If you looked at the actual sales figure for recreation software, it has doubled in the last three years.

"But the recreational-software business *has* changed — people are much sharper about what they buy. We've seen fewer successes in recent months — products that capture the consumer's imagination. I think there are going to be some technological changes in the next few months that will bring some of the excitement back to the recreational market."

Several of the software publishers who spoke with *HCR* promised to fulfill Blumstein's expectations by bringing new excitement in the recreational market during the second half. Atari has announced that it will be distributing two titles from Lucasfilm's software division. The titles, "Ballblazer," a futuristic sports-fantasy game, and "Rescue on Fractulus," a search-and-rescue flight-simulation package, are filled with the "Star Wars" special-effects touch.

Meanwhile, Sublogic, publisher of "Flight Simulator," "2nd Night Mission Pinball," is preparing software to take the home-computing maven into the stratosphere.

"We're designing with fantastic animation, plus more color and sound; we know 3-D images are the wave of the future," commented Norm Olson, vice president/marketing of Sublogic. "We're developing two programs now that will be big leaps for the market — one is a jet-fighter simulator, and the other is a space-shuttle simulator that takes you right out of this world."

"There's no doubt that more-imaginative recreational programs are on their way to market," observed Cathy Carlston, vice president for development of Broderbund Software. "The industry has gotten further away from arcade games and more toward programs that provide adventure. Recreational software is becoming more like a personal-productivity tool."

Carlston added that Broderbund is approaching software development with a "Hollywood-studio" approach, working with top animators and concentrating on story line to give its software packages "true personalities." One of the 10 new recreational titles Broderbund introduces this month is a new adventure game, filled with 3-D effects, that takes place under and over water, designed by Danny Goren, author of the Megahit, "Choplifter."

"Conventional wisdom is that the blush is gone from the rose in the computer-game business," opined Lawrence Honig, president of Though Products, a new-technologies marketing-and-research firm. "But the conventional wisdom is usually wrong. Home computers are still a bit shy of the power needed to play truly visionary games. But the hardware is getting there — witness the big push by Apple with its II series into the home. Authors of recreational software will rise to the challenge — they know that people are always looking for creative ways to spend their time and money."□

JIM ROBINS

HOME COMPUTER APPLICATIONS

Application	# Using	% Using
Base = 280 Home computer owners		
Game playing	185	66.1
Programming	169	66.4
Filing/storing information	136	48.6
Teaching aid for family	126	45.0
Home management/taxes/budgeting	98	35.0
Word processing	84	30.0
Making graphs and charts	82	29.3
Home banking	34	12.1
Trading stocks	24	8.6
Accessing information elsewhere	21	7.5
Sending message/mail	18	6.4

Source: LINK Resources Corp.

Newswatch

A new computer company, Angelsoft, has been launched to develop computer programs and other products for the consumer market. Initial products include a line of computer software for children licensed to Mindscape, a new electronic publishing subsidiary of SFN; the software will be available later this year, compatible with Atari, Commodore, Apple, and IBM computers . . .

Watch Out for the Apples and Lemons:

This should be a banner year for high-end home computers, as Apple, IBM slug it out

1984 will be a revolutionary year in the home-computer market—the year the low end gives way to the high.

As the past few years have been in the world of business computing, this will be the year of Apple vs. IBM. And in the home, the victor in the near term will be the newly aggressive underdog from Silicon Valley: in the home-computer market, 1984 will be the year of Apple.

The competition won't commence from a standing start. According to a recent Link Resources consumer survey, Apple already has just over 8 percent of the home market on a units-installed basis—Apple ranks fifth among home-computer vendors in the home base. IBM is not far behind, with almost 5 percent of the base, all of its installed machines being PCs, not PCjrs.

The surprising fact is not that these companies have secured this turf in the home, but that over the next two years Apple and IBM look to outperform and overtake the leading *home*-computer vendors: Commodore, Texas Instruments (1979-1983), and Atari. Commodore and TI came out of the 1983 price wars each with about 25 percent of the installed base, and Atari has captured about 10 percent.

The home-computer market exploded last year in more ways than one. Despite the exit of several players, 4.5 million home computer were sold. Link defines a "home computer" as a personal computer purchased with household funds for use exclusively in the home (the definition also excludes portables and programmable calculators).

In a consumer telephone survey conducted last February, 4,237 households were contacted and 280 home-computer households were found and interviewed, which projects out to a home-computer penetration of 6.9 percent of U.S. households (about 5.9 million home-computer households). Because of multiple ownership—8 percent of home-computer owners can't get by with just one—the actual number of home computers in use is about 6.25 million.

When queried about their buying intentions, consumers who haven't yet jumped on the home-computer bandwagon gave growing evidence of a banner year for the high-end vendors, and in particular for Apple:

- Two out of five people who intend to buy a home computer in 1984 said they intend to buy an Apple; one out of four intend to buy IBM. But only one in 10 want a Commodore, and only one in 20 an Atari. There is clearly a revolt against low-end product—particularly compared to low-end models' dominance in sales through 1983.
- The low end will not disappear, however: One in four consumers ready to buy in 1984 intends to spend less than $300 on home computer. But this 25 percent intention is matched in two other, higher, price ranges: the mid-range, $500 to $1000, and the high end, $2000 and more. Each price point attracts a quarter of the 1984 market, a significant upward migration from last year's price declines.
- Price cuts on the IIe and the introduction of the IIc and, at the high end, what many consider the very reasonable price of the Mac position Apple perfectly to take advantage of the upward shift in spending. And although PCjr sales in the second quarter have been sluggish, IBM also has the product range in place to cash in on an increasingly price-insensitive market, although it will have to tinker with the details to make PCjr's sales accelerate.
- The vendors of 1984 are in disarray: Commodore, Atari, and perhaps even twice-shy TI will have to scramble to catch up. Coleco had the right concept with Adam, but the execution has been another matter, many retailers feel.
- The post-recession boom in consumer spending and the well-publicized blow-out at the low end will combine to draw consumers to higher-ticket home-computer purchases—the "why not the better?" syndrome.

The vendors of 1984 are in disarray, according to David Lamb: 'Commodore, Atari and perhaps even twice-shy TI, for example, will have to scramble to catch up.'

The 1984 shift in buying patterns has deep implications for peripherals and software aftermarkets and for retailers. The Link survey illustrated a wide gap in usage and peripherals ownership between people with a low-end home computer and those with an Apple, IBM, or Tandy.

Many of last year's purchases—which account for about three-quarters of the installed base—seem exploratory or opportunistic in light of the uses the machines are being put to. They might be characterized as "learning machines"—people are buying them more to learn what to do with a computer than to do something with them.

Predictably, last year's best sellers—the Commodore 64, the TI 99/4A, and the Atari 800—are used primarily for game-playing, programming, or as a household educational aid. All are applications which demand only small-ticket software purchases.

The high-end machines—what might be called true 'appliance' computers—exhibit different usage and software-purchase characteristics. In fact, the uses they are put to in the home closely resemble traditional office usage patterns and categories.

Word-processing, financial analysis, and filing/storing information are all used to a much greater extent in tandem with high-end machines than with the cheapies.

One category in particular seems key to the high-end/low-end distinction is home management/budgeting/tax-management, which also represents one of the highest growth areas for home-computer software.

High-end home computers behave more like business computers. And with more product introductions aiming at this 'home/business' market—the expanded Apple II series, the PCjr, and the slew of lower-priced portables—home/business computers will absorb a significant amount of future home-computer households. And just as the higher hardware price looks more palatable to a retailer, so, too, does the software aftermarket.

The same trend carries through to peripherals. High-end home computers are more apt to be equipped

HOME-COMPUTER-PERIPHERALS OWNERSHIP

Percent Owning Peripheral

Peripheral	Price of Computer Under $300	$300-999	$1,000+
Floppy-Disk Drive	15 %	39 %	67 %
Video Monitor	5	17	45
Dot-Matrix Printer	9	29	49
Letter-Quality Printer	4	14	19

Base = 280 home-computer owners

Source: Link Resources Corp.

HOME-COMPUTER SOFTWARE APPLICATIONS

Percent Performing Application

Software Application	Price of Computer Under $300	$300-999	$1,000+
Game-Playing	71 %	77 %	50 %
Teaching Aid	44	52	42
Programming	56	73	61
Word-Processing	14	31	57
Graphing/Charting	22	33	38
Filing/Storing Information	35	64	63
Household-Management/Tax	29	35	47

Base = 280 home-computer owners

Source: Link Resources Corp.

Here Comes the '84 Computer Revolution

with disk drives, video monitors, and printers. Consumers laying out more money for a computer are also willing to lay out more for peripherals, either at the initial sale or later on. Increasingly these peripherals are bundled into the initial sale: Three-quarters of Apple's computers, for instance, are now sold with a video monitor.

The 1984 home-computer revolution has critical consequences for retailers. The Apple and IBM computers are sold through specialty outlets—that is, computer stores. Mass merchants and audio/video/computer stores will have to adjust their habits in order to break into the fiercely protected exclusive dealer networks of the computer manufacturers.

Mass merchants and audio/video/computer stores will have to adjust their habits in order to break into the fiercely protected dealer networks.

To succeed in both getting a high-major end home-computer franchise and operating it, a retailer must:

- Staff up with computer-literate salespeople.
- Set aside a sanctum for the "serious" computers—No "kid stuff" here.
- Stock several high-end lines; this helps create legitimacy.
- Advertise heavily in an increasingly consolidated and competitive environment—which shouldn't be anything out of the ordinary for most electronics retailers. . .

Taking the pains to stake out a "real" computer franchise will pay off. Of the 5.5 million home computers Link expects to be sold this year (a similar volume is expected in 1985), about a third will cost less than $300, about a quarter will cost between $500 and $1,000, and about 40 percent will cost over $1,000.

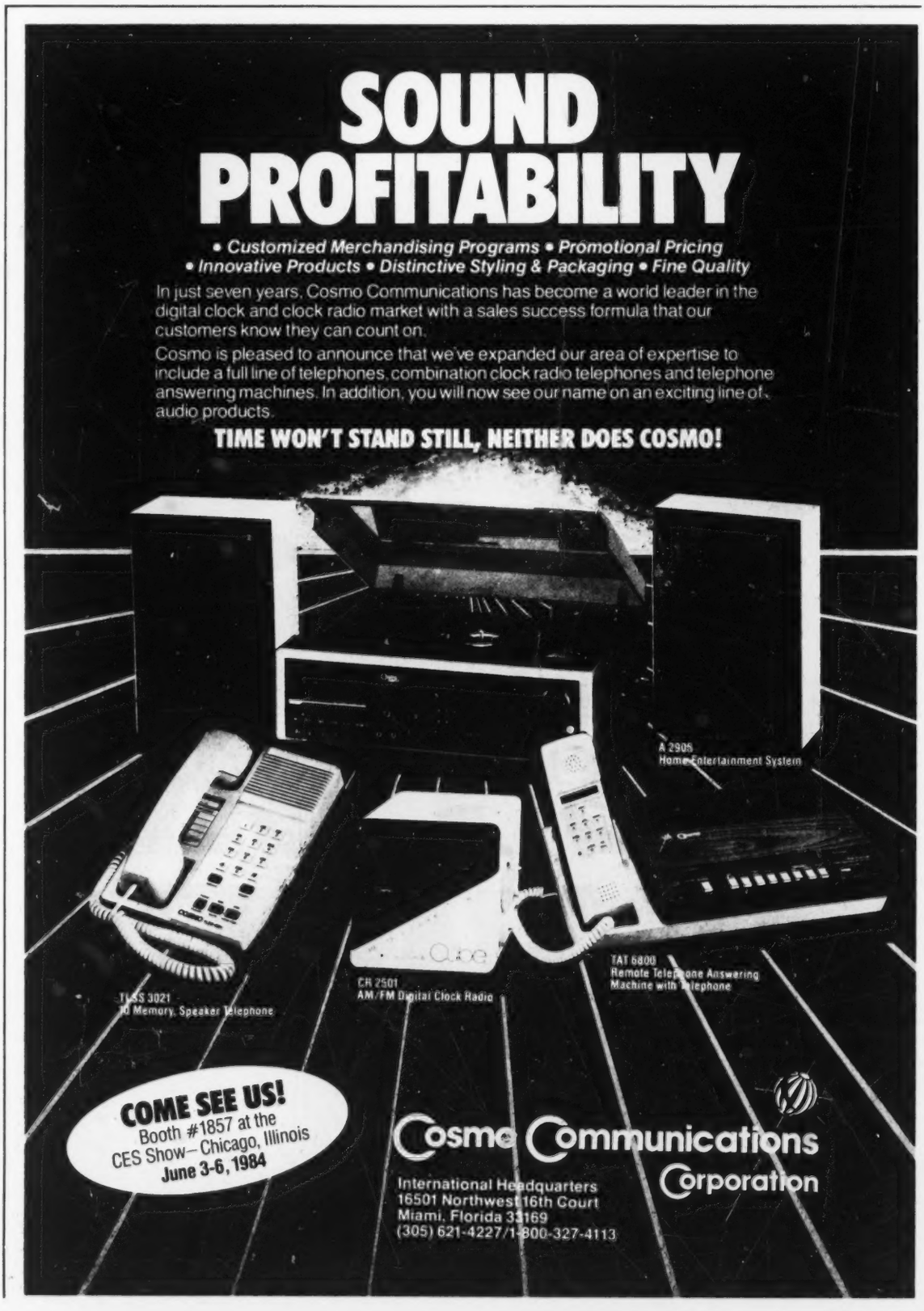
The unit distribution—radically different from 1983's primarily-under-$300 market—is not too exaggerated, however. But the dollar volume distribution is a different story: Three quarters of the revenues—and even *more* of the profits—will be made in the over-$1,000 category (and that's not counting higher sales of peripherals and software, and the comfort of a relatively stable installed base).

Dealers also have the prospect of return sales, from participants in the "first-home-computer market," the era that went boom, then bust in 1982-83.

Many low-end owners will contribute to the new high-end boom: 20 percent of Texas Instruments/Commodore/Atari owners intend to upgrade in the next two years. Thus, the first home-computer market will fuel the more-stable, more-lucrative second home-computer market.

To put it another way, last year's lemons will become this year's Apples. □ DAVID LAMB

(David Lamb is director of the new electronic media program at Link Resources, a New York City market-research and consulting firm, which specializes in consumer electronics, computing, and new media, as well.)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Housewares Review: What Buyers Thought

Mixed reviews for NHMA show: some hot new products, but cool on 'pizzazz'

The timing was perfect. They had looked forward to the event for nine months. As it happened, it had seemed a very good experience. Now, several weeks later, why did they feel it had been less exciting than they had anticipated?

The above paragraph does not describe seniors following graduation, nor a most unusual couple after the birth of their first child . . . but rather, housewares retailers, as they thought again about the spring NHMA International Housewares Exposition from the comfort of their home stores.

"I had anticipated manufacturers and importers would have made the show more exciting with new merchandise and merchandising ideas," said Val Walsh, divisional merchandise manager for B. Altman & Co., in New York City.

Walsh felt that the nine-month hiatus between the two shows had given suppliers more than enough time to be creative in their presentations, but the April show "definitely lacked that excitement," in his opinion.

Today, merchandising housewares, especially the electrics, means special settings and demonstrations — that's entertainment and show-and-tell time!

Many date the beginning of "pizzazz" in housewares retailing as November, 1971, when Macy's Cellar opened in San Francisco. Since then, stores across the country — from coast

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Range Sales Cooking on Front Burner

Retailers report sales gains for both gas and electric; the second half looks good

Ranges sales—of both electric and gas models—are cooking on the front burner this year.

That venerable household appliance, still alluded to by some veteran marketers simply as "the stove," is enjoying a strong sales upswing.

Industry data show sales boiling along at a 24.8-percent unit gain over the year-ago level for electric ranges in the first quarter, according to the Assn. of Home Appliance Manufacturers. Indeed, movement has been so strong that the industry projection for the year has been adjusted up-

[Continued on page 64]

Appliance Execs Are Eyeing Record Year

At AHAM's annual convention, suppliers' 'great expectations' threaten '73 sales records

Major-appliance sales are hot this year . . . so hot, in fact, that the all-time record sales of 1973 are in danger of being eclipsed.

The mood at the recent annual membership meeting of the Assn. of Home Appliances was unreservedly upbeat, with AHAM forecasting sales of 35.6 million major appliances this year, a 10-percent increase. The all-time record volume was the 35.8 million units sold in 1973, and a number of suppliers feel that if the sales momentum of the first four months of 1984 is maintained, that 1973 record could fall.

The first quarter of this year was the best first quarter ever, posting the second-best sales total of any quarter in history, with volume up 36.5 percent over the first quarter of 1983.

And even if the 1973 sales record does not fall this year, it is very likely to be broken in 1985, for which AHAM forecasts total sales of 36.8 million units.

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Looking for strong second-half appliance sales are (clockwise from top left) Roy Musselwhite and S.B. (Skeet) Rymer Jr. of Magic Chef, Admiral President John Green, and Jack Sparks of Whirlpool Corp.

Compact Appliances Are Still Small Potatoes in Terms of Sales, Most Retailers Report

The building market, singles, and senior citizens account for most sales of compacts

Despite moves by both U.S. and Japanese manufacturers to increase their distribution — and selection — of compact appliances, compacts so far have failed to generate a significant revenue stream for appliance dealers contacted by MART around the country.

Indeed, not one retailer reported that refrigerators under 6.5 cu. ft., freezers under 10 cu. ft., and laundry equipment less than 24 inches wide produce even a minor percentage of their business. Consequently, most dealers have spent little time promoting these appliances . . . and those who *have* witnessed sales gains contend that the category itself is so small, the gains are not meaningful.

For years, the sale of compact appliances mirrored and tracked major-appliance trends in general. In the last year, however, while appliance sales rose across the board, compact sales slipped, dealers told MART.

"Sales are terrible," said Bill Sharpe, owner of Sharpe's Appliances in Atlanta, GA. "We don't even put them on display."

"We sell quite a number of compact refrigerators and laundry, and sales have been increasing since we started to carry them five or six years ago," said Jules Fleischer, owner of Brookline Appliance Center in Brookline, MA. "But they only represent about one percent of our business." Fleischer carries Welbilt, U-Line, and Marvel compact refrigerators. In compact laundry, he handles Whirlpool and Combomatic.

Only Albert Moradi, manager of Albee Appliances in Los Angeles, reported a brisk business in compact refrigeration.

His store is located in the heart of one of Los Angeles' scattered high-rise office districts, headquarters for many banks and financial institutions and only a mile from Century City's fabled Miracle Mile and Beverly Hills. Moradi reported that he sells many refrigerators in these office complexes. Compact sales, in total, generate about 30 percent of his annual revenue, he said.

'Compacts are not as popular as they were five years ago — they are a marginal part of the business. And most of what is sold, is sold through the builder channels.'

Location seems to be a controlling factor in compact sales. In addition to the business community, Moradi at Albee benefits from a surrounding residential community favored by senior citizens and affluent single people or young families just starting out.

"The typical buyers are young couples in condominiums or apart-

[Continued on page 68]

Appliance Execs Eye Record Year

[Continued from page 63]

"We've got great expectations for our industry's ability to compete successfully for the consumer's dollar this year," declared Bob Cox, executive vice president of In-Sink-Erator and newly named AHAM chairman, echoing the theme of the AHAM meeting.

AHAM projects strong sales of portable appliances this year, too, calling for a 6- to 8-percent increase in industry volume, with food processors, automatic-drip coffeemakers, irons, and hair-care products expected to do especially well.

Zeroing in on specific major-appliance categories, S.B. Rymer Jr., president, chairman of the board, and chief executive officer of Magic Chef, predicted 1984 sales increases of 14 percent for gas ranges, 17 percent for electric ranges, from 8 to 10 percent for microwave ovens, from 10 to 12 percent for dishwashers, 3 percent for refrigerators, and from 7 to 8 percent for laundry appliances.

Rymer said he sees four market segments jockeying for position in the business: builders, private-label retailers, buying groups, and independent appliance dealers.

"Replacements now account for about 75 percent of the market, and the battle lines are already drawn," he commented. "In recent years we've seen department stores and utilities become almost non-factors in the market, amidst the emergence of mass marketers and catalog outlets. And buying groups are creating much apprehension among independent retailers.

"These buying groups are making a fierce challenge for the growing replacement market, while the independent dealer feels he created that market and now the manufacturers are unsympathetic to his dilemma. But all four segments of the business have a place in the market," Rymer said.

To boost appliance sales even further, and make sure the industry gets its share of consumers' dollars, Rymer said, the appliance industry needs to enhance the image of its products in the consumer's mind, by stressing its value story.

Jack Sparks, chairman, president, and chief executive officer of Whirlpool, agreed. "The major-appliance industry has been too quiet too long," he declared. "Our low profile has led to slow growth in times of high opportunity. It's time to take a stand and establish a presence for major appliances on Wall Street and Main Street."

The real competition for today's new appliance is the older model ready for replacement — the products that still work, but lack the latest features and conveniences, he said.

The industry should also make sure the consumer understands that the current increased quality of major appliances has decreased the need for service, Sparks added. "And the availability of do-it-yourself service is proving satisfying and money-saving for all concerned."

Selling these new convenience appliances is the retailer's job, but that retailer needs help from the manufacturer, according to Robert Thompson, an industry consultant and former vice president of Sears' major appliance and home entertainment group.

"With few exceptions, at the retail and manufacturer level we've done the poorest job on product presentation," said Thompson, senior consultant for Thompson & Associates Marketing and Merchandising. "The way appliances are generally displayed is confusing to the consumer and the salesperson — the retailer needs help in making the product presentation. After all, the retailer and the manufacturer share a common goal — survival."

Seen at the AHAM meeting: Kevin Furlong of Toshiba America (left); Matt Howard, vp of Sears' home appliance and entertainment group, and wife Beth (above left); Bob Deming, president of Toastmaster (above); Whirlpool's Steve and Betsy Upton (top); and housewares industry veteran Lew Salton (top right). All were very bullish about second-half prospects for major-appliance sales, after a record first-quarter volume.

One way the appliance manufacturer can help the retailer sell is through point-of-purchase material, which has become a very important source of information to today's consumer, according to Barbara Caplan, a vice president of market-research firm Yankelovich, Skelly & White.

And today's customer is likely to be more knowledgeable about the appliances before ever setting foot in the store, Caplan indicated: "When the consumer enters the retail store, he or she has already done a great deal of homework. Brand has become a road map, and its role is growing."

The typical consumers today pride themselves on being smart shoppers, Caplan added. They have renewed interest in the home, and are searching for quality and excellence in the products they buy. And — good news for the appliance industry — "appliances are a growing priority when it comes to allocating discretionary dollars."

"A tremendous opportunity exists for the appliance industry to share in and grow with the changes in society," agreed Ben Brooks, president of Clairol Appliances. "The dealer and the consumer await action programs from the manufacturers to develop truly unique products, sell their products differently in their advertising, and sell on the basis of quality, performance, and value."

Bob Holding, AHAM president, agrees: "Product innovation is the real spark for strong replacement sales. The near future will be one of the most innovative in the history of major household appliances." And this time around, he added, replacement customers "are more affluent, ready to treat themselves well, and attuned to features they've seen advertised and in their neighbors' homes."□

CATHY CICCOLELLA

INDUSTRY FACTORY SHIPMENT FORECASTS

	1984 Units (000)	1985 Units (000)
Room Air Conditioners	2,607	2,766
Dehumidifiers	470	485
Dishwashers	3,424	3,486
Disposers	3,795	3,897
Compactors	171	185
Refrigerators	5,765	5,800
Freezers	1,363	1,410
Electric Ranges	3,031	3,157
Microwave Ovens/Ranges	6,806	7,211
Washers	4,885	4,993
Dryers	3,534	3,624
TOTAL	36,623	38,771

Source: AHAM